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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
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**CURRENT SITUATION IN NEPAL.** The most recent political crisis in Nepal, precipitated by a struggle for power within the Nepal Congress Party between Congress President B. P. Koirala and his half-brother Prime Minister M. P. Koirala, has reached such proportions that the internal security of Nepal appears to be seriously threatened.

The Nepal Congress Party, long troubled with factionalism, has now been so badly split that it is incapable of effective administration. The Communist Party of Nepal and other nationalist parties which accuse the Congress government of a pro-Indian bias have seized the opportunity to demand the formation of an all-party government. This would include the Communist Party, which is now banned.

Faced with intolerable criticism from his own and opposition parties, Prime Minister Koirala reportedly resigned on 10 August. It is rumored that the King, apparently on the advice of the Indian Government, is about to form an interim government consisting of himself and his council.

The King [redacted] owes his present position almost entirely to the Government of India and who is completely subservient to it. His only means of enforcing his authority is through the Nepalese Army, which on several occasions in 1951 proved incapable of maintaining order and had to request assistance from Indian troops. Though generally loyal to the King, all units of the Army may not follow a King demonstrably dominated by India. The Armed Police, the para-military arm of the Nepal Congress Party, is an irresponsible body which may soon cause trouble. It is bitterly at odds with the Army.

Nepalese Communists and others who have been responsible for widespread unrest and terrorism since May are likely to increase their activities as a result of the Prime Minister's resignation. Indian Communists from adjacent regions of Sikkim and West Bengal may be expected to cooperate with them. [redacted]

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It therefore seems inevitable that the King, if he remains in power, will eventually have to call upon the Indian Army to restore order in the state. When this happens, it is likely that the Indian Government, as it did in Sikkim, will also take over the civil administration.

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This does not mean, however, that internal security would thereby be easily achieved. The Nepalese populace is very critical of the pro-Indian Koirala government. It is doubtful that it will quietly accept an Indian-dominated government. Certain elements of the population, racially and religiously akin to the Tibetans, may seek support from them.

A decision by the King to return the reins of government to the Nepal Congress Party would not improve the situation. Dissension within the Party would continue. The Nepalese people, who have been antagonized by the brutality of the Party's Armed Police, would remain disgruntled. Leftist and nationalist agitators would not cease their activities.

Communist capabilities for removing the king before he can invite Indian intervention should not be overlooked. In this event, any Indian military operations in Nepal would contravene the Indian-Nepalese treaty of 1950. Both the Nepalese and the Chinese might protest them, and a situation similar to that now existing in Kashmir could be created.

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